

IRS GIVES SMALL BUSINESSES A CHOICE FOR PAYING THEIR TAXES

WASHINGTON -- The Treasury Department and Internal Revenue Service have announced that proposed regulations issued today would raise the threshold requiring the use of the Electronic Federal Tax Payment System (EFTPS) to \$200,000 beginning January 1, 2000. This means that 91 per cent of all businesses would have a choice of how to pay their taxes.

"The success of EFTPS due to the large number of volunteers using the system means that most businesses can voluntarily participate in EFTPS," said IRS Commissioner Charles O. Rossotti. "We believe that most of the businesses that are currently using the system will continue to do so because they find it easier to use."

Deputy Secretary of the Treasury Lawrence Summers said, "Today's actions demonstrate the value of our continuing dialogue with the small business community. The relief provided will enable small businesses to achieve a smooth transition to the new, more efficient, electronic financial system of the 21st century."

After the regulations are finalized, businesses that were previously required to use EFTPS but did not make more than \$200,000 in aggregate deposits for 1998 will be relieved of the requirement to use EFTPS on January 1, 2000. As a result, only about 9 percent of all businesses making deposits will be required to use EFTPS. Also, about 65 percent of the businesses that have previously been required to use EFTPS will be relieved of the requirement.

The new threshold of \$200,000 applies to aggregate deposits. This means that businesses will consider deposits for all types of taxes made during the year to see if they are required to use EFTPS. If a business makes more than \$200,000 in aggregate deposits for a calendar year, it meets the requirement based on this test and then it must use EFTPS starting January 1, of the second succeeding calendar year. Thus, a business with more than \$200,000 in aggregate deposits for 1998 would be required to use EFTPS starting January 1, 2000. Over 90 per cent of these businesses already use EFTPS.

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In addition, the IRS scheduled a public hearing on the regulations for May 11, 1999. The proposed regulations provide details on submitting comments.

Members of the business community were quick to applaud today's announcement. "The small business community appreciates Commissioner Rossotti's successful efforts to make electronic payment of taxes voluntary," said Jack Farris, President of the National Federation of Independent Business. "The Commissioner was a business owner who now as an administrative official cares enough to truly address the needs of his customers."

Bennie L. Thayer, President and CEO of the National Association for the Self-Employed also commended the announcement. "The new \$200,000 threshold shows that IRS has listened to small business' concerns on this issue , and we appreciate it. While electronic payment of taxes is increasingly popular due to its speed and convenience, the decision to raise the threshold requiring the use of EFTPS shows understanding and flexibility for the needs of smaller businesses."

The IRS also announced today that it will continue to waive penalties for most smaller businesses required to use EFTPS that make timely deposits using paper deposit coupons. This penalty relief will run from July 1, through December 31, 1999.

The penalty relief will apply to all taxpayers currently required to use EFTPS if the taxpayer did not make aggregate tax deposits of more than \$200,000 during 1998. However, IRS will impose penalties for taxpayers currently required to use EFTPS, if their aggregate deposits were more than \$200,000 during 1998, and they do not use EFTPS for deposits due beginning July 1, 1999.

Over 2 million taxpayers are enrolled in EFTPS and electronic tax payments through EFTPS recently topped \$2 trillion since the inception of the program. "We decided to offer further penalty relief because of our concerns that the requirement may have created a hardship on some small businesses," said Commissioner Rossotti. "We will also continue our outreach efforts with tax practitioners, the business community and individuals and our enhanced marketing initiatives to further increase voluntary participation and meet our goals."

The IRS reminds businesses eligible for the penalty relief that deposits must still be made on time even when using paper coupons or they risk a late deposit penalty. But the 10 percent penalty for not depositing electronically will be waived through December 31, 1999 for businesses eligible for the penalty relief.

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The IRS encourages businesses to use the system and to get comfortable with EFTPS. EFTPS is easy to use, it's accurate, and it's convenient because it saves businesses last minute trips to the bank with checks and coupons. The IRS also urges those taxpayers who will no longer be required to make payments electronically to continue to experience the ease and convenience of using EFTPS. Those who volunteer to use EFTPS will not be penalized for not paying electronically.

Tax information and payment instructions flow electronically and are processed through EFTPS to the government based on the specific instructions of the taxpayer. No government agency or outside party has unauthorized access to a taxpayer's account or company information. The technology is the same as automatic bill payment or point-of-sale payments for groceries.

Traditionally, businesses have used a paper coupon and a check to make Federal Tax Deposits (FTDs). EFTPS eliminates most of the paperwork in the old FTD coupon system. With EFTPS, deposits may be made by telephone or personal computer, or through the financial institution of the business.

For information on EFTPS or to get an enrollment form, call EFTPS Customer Service at (800) 555-4477 or (800) 945-8400. Taxpayers can begin using EFTPS as soon as they receive their payment instruction packet and personal identification number.

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